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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 12/07/09

INDEX:
AMERICAN EMBASSY, TOKYO
PUBLIC AFFAIRS SECTION
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DAILY SUMMARY OF JAPANESE PRESS
December 7, 2009

INDEX:

- (1) PM Hatoyama to tell U.S. his final decision on Futenma relocation "shortly" (Mainichi)
- (2) Parliamentary Secretary of Defense Nagashima suggests need to send PM's special envoy to U.S. on Futenma issue (Sankei)
- (3) Ambassador Roos tells Japan "Washington is furious" with decision to delay Futenma relocation solution to next year (Mainichi)
- (4) Ambassador Roos points out closeness of Japanese, U.S. corporate culture (Nikkei)
- (5) MOFA begins seriously examining secret nuclear accord; Encounters difficulty in handling security policy; Three nonnuclear principles' conformity with nuclear umbrella to become issue (Nikkei)
- (6) Japanese-flag oil suppliers set to fight all-out battle in Iraq's 2nd round of oil deals on Dec 11-12 (Sankei)
- (7) Rare metal: Public and private sectors frantic about securing

stable supply (Tokyo Shimbun)

ARTICLES:

(1) PM Hatoyama to tell U.S. his final decision on Futenma relocation "shortly"

MAINICHI (Page 1) (Full)
Evening, December 7, 2009

Rumu Yamada, Daisuke Kondo

In connection with the issue of the relocation of the U.S. forces' Futenma Air Station (in Ginowan City, Okinawa), Prime Minister Yukio Hatoyama stated on the morning of Dec. 7: "I think it is time to finalize how we should tell the U.S. about the government's thinking," indicating his intention to convey to the U.S. the government's decision at an early date. He made this statement to reporters in front of his official residential quarters.

When reporters asked him if the above statement is premised on a solution before the end of the year, he refrained from giving an explicit answer, but said: "I think it is time to decide what to say right now, taking everything into account."

With regard to the U.S. side's demand regarding the existing plan to relocate Futenma to the coastal area of Camp Schwab (in Nago City), Hatoyama said: "We are also a coalition government, and the people of Okinawa have different expectations. It will not be so easy."

TOKYO 00002788 002 OF 010

Commenting on the Prime Minister's remarks at his news conference on the morning of the same day, Chief Cabinet Secretary Hirofumi Hirano said: "He probably meant that regardless of the substance (of the conclusion), the government needs to decide on how it intends to handle the Futenma issue." He added, "This probably meant that it is time to sort things out squarely and indicate a policy direction, including whether this will be acceptable to the U.S. and the Okinawan people."

Meanwhile, at a meeting of the secretaries general and Diet Affairs Committee chairmen of the Democratic Party of Japan (DPJ), the Social Democratic Party (SDP), and the People's New Party on the morning of Dec. 7, SDP Secretary General Yasumasa Shigeno asked that the ruling parties step up their efforts to appeal to the government from the standpoint of opposing the existing plan for Futenma relocation. DPJ Secretary General Ichiro Ozawa said he would convey this to the government.

(2) Parliamentary Secretary of Defense Nagashima suggests need to send PM's special envoy to U.S. on Futenma issue

SANKEI ONLINE (Full)
12:13, December 7, 2009

The Dec. 7 issue of the South Korean newspaper Chosun Ilbo carried an interview with Parliamentary Secretary of Defense Akihisa Nagashima in which Nagashima reportedly said that in light of the difficulties in reaching a solution on the issue of the relocation of the U.S. forces Futenma Air Station (in Ginowan City, Okinawa), there is a need to show consideration by sending a special envoy carrying a personal letter from Prime Minister Yukio Hatoyama to the U.S., for instance.

According to Chosun Ilbo, Nagashima pointed out that the Japan-U.S. relationship "is on the verge of a crisis in the short term." He said that it is necessary to convey Japan's thinking to the White House at an early date and cited Foreign Minister Katsuya Okada as a possible special envoy.

Nagashima also explained that since the 50th anniversary of the revision of the Japan-U.S. security treaty is approaching next year, President Barack Obama is expected to visit Japan by next November. He said that the government will make a decision by next fall at the latest. (Kyodo)

(3) Ambassador Roos tells Japan "Washington is furious" with decision to delay Futenma relocation solution to next year

MAINICHI (Pages 1, 3) (Full)
December 7, 2009

Japan informed the U.S. side that it intends to defer a decision on the issue of the relocation of the U.S. forces' Futenma Air Station (in Ginowan City, Okinawa) to next year at the meeting of the cabinet-level working group on Dec. 4. U.S. Ambassador to Japan John Roos asked the other participants in the meeting to leave the room and drew near to Foreign Minister Katsuya Okada and Defense Minister Toshimi Kitazawa.

"Washington is furious. Didn't Prime Minister Yukio Hatoyama tell President Obama 'trust me' at the Japan-U.S. summit in November? Why have things come to this? If things go on like this (and the current

TOKYO 00002788 003 OF 010

relocation plan does not move forward), Futenma will remain where it is."

The postponement of the decision came as a total surprise to the U.S. side. The fact that Okada and Kitazawa had expressed their intention to find a solution before the end of this year also turned out to be an act of deceiving the U.S. Hatoyama has also asked for considering "new relocation sites." Okada stated at his news conference on Dec. 5 that "the situation is such that it will be very difficult to hold the working group's meetings," expressing his concern that the examination process may be stalled.

The Prime Minister's side had envisioned a two-stage scenario: making a decision based on the existing plan with minor modifications before year end and presenting a blueprint for the relocation of the Futenma base out of Okinawa in the future. The U.S. side had also been sounded out on this. Kiyoshi Sugawa, special researcher of the Cabinet Secretariat who is close to Hatoyama, was dispatched to the bureau chief level talks on the Futenma relocation issue in Washington on Nov. 24. He held meetings with senior U.S. government officials separate from the bureau chiefs.

Japan Research Institute Honorary Chairman Jitsuro Terashima, who is known to be Hatoyama's foreign policy adviser, engaged in prior consultations with the Prime Minister and visited the U.S. from Nov. 28 through the intercession of the U.S. Embassy in Tokyo. However, the U.S. side repeated its position that "anything other than the current plan is unacceptable." There was no room for compromise.

The Prime Minister realized the severe attitude on the U.S. side, but he made use of (the opposition of the) Social Democratic Party (SDP) instead to reverse the trend toward settling the issue before year end. On Dec. 4, he emphasized to reporters that "I have never said when (a decision will be made)," laying the groundwork for postponing the decision to next year.

According to a senior government official, the U.S. side has conveyed to the prime minister's office the message that "the timing of the conclusion is not the issue," "the conclusion needs to be the current plan." There is a gap between this and Hatoyama's intention to consider relocation out of Okinawa or out of Japan. His close aides reveal that "the SDP is being used as an excuse; what he really has in mind is to postpone the decision to after the House of Councillors election, since no potential relocation site can be found outside of Okinawa."

The reason why Hatoyama is persisting with relocation out of Okinawa or out of Japan is his desire to review the Japan-U.S. alliance to coincide with the 50th anniversary of the revision of the Japan-U.S. security treaty next year. He is keen on making a comprehensive review of the bilateral alliance, including the major issues of omoiyari yosan (the so-called "sympathy budget" or host nation support), the Japan-U.S. Status of Forces Agreement, and the Futenma issue.

It is said that "security without the permanent stationing of

troops," a proposal included in the basic policies of the old Democratic Party of Japan (before its merger with Ichiro Ozawa's Liberal Party) in 1996 was the product of discussions with senior Okinawa officials who were then lobbying the Tokyo government for the return of U.S. military bases in the prefecture in stages. This idea still underlies Hatoyama's thinking today. The above Japanese

TOKYO 00002788 004 OF 010

official laments that "probably, the only option is for the Prime Minister to visit the U.S. before the end of this year to give an explanation."

What made Hatoyama decide to defer the solution to the Futenma issue to next year was the SDP's pressure on him to do so by threatening to leave the coalition government.

On the afternoon of Dec 1, the SDP's Senior Vice Minister for Land, Infrastructure, Transport, and Tourism Kiyomi Tsujimoto and policy chief Tomoko Abe grabbed Chief Cabinet Secretary Hirofumi Hirano and Okada, respectively, at the House of Representatives plenary hall and told them: "If you betray the SDP and the Okinawan people and make a decision based on the existing plan, we will bolt from the coalition. Then not one bill will pass the House of Councillors from the regular Diet session." They warned Hirano and Okada that if a decision is made to relocate the Futenma base under the existing plan before year end, the Hatoyama administration will be untenable. Tension rose at the office of the DPJ's Diet Affairs Committee when they heard about this. Diet Affairs Committee Chairman Kenji Yamaoka blustered at the top political officials of the Ministry of Defense (MOD): "A decision before year end is absolutely unacceptable."

Hatoyama had met with Okada, Hirano, and Kitazawa at the prime minister's office earlier, telling them his intention to "attach importance to the coalition." Okada and Hirano had no choice but to accept the SDP's demand.

Tsujimoto and Abe's action was a result of a request from Lower House member Kantoku Teruya (second district of Okinawa), who got wind of the top-secret meeting (on Nov. 27) between Hatoyama and Okinawa Governor Hirokazu Nakaima, who favors a solution based on the current plan with minor modifications. Teruya had asked them to put a stop to a seeking a solution before year end.

DPJ Secretary General Ichiro Ozawa, who is said to give priority to the coalition, sent out a signal on Nov. 25. Some time past 4:00 p.m., Okada, who had a one-on-one meeting with Ozawa at the secretary general's office in the Diet for about 20 minutes, emerged with a sullen expression.

Okada had been working for a solution based on the current plan before the end of 2009. Realizing that this would affect the ruling coalition, he wanted to give an explanation to Ozawa in advance. According to his aides, Ozawa told him in no uncertain terms that "the coalition is important."

Meanwhile, Kitazawa, who had hinted strongly at keeping in step with Okada to work for a decision before year end, also began to change his position. Kitazawa had been saying previously: "I have sorted this out with Ms. Fukushima (SDP leader Mizuho Fukushima). The SDP will not leave the coalition."

However, his meeting with Azuma Koshiishi, chair of the DPJ caucus in the Upper House and a close confidant of Ozawa, on Nov. 30 became the turning point. He began to tell his aides that from the way Koshiishi was expressing concern about the steering of the Upper House, "coordination between the cabinet and Mr. Ozawa has not been carried out."

On Dec. 2, Kitazawa shifted to giving importance to the coalition in a speech to the National Defense Academy, which trains Self-Defense

TOKYO 00002788 005 OF 010

Forces officers. He said: "Is ruining the coalition and triggering political confusion in Japan's interest? I don't think the

Japan-U.S. relationship will be excessively strained if a decision is deferred to next year."

On the same evening, a party to celebrate the appointment of Kitazawa and State Minister for Financial Affairs and Postal Reform Shizuka Kamei to the cabinet was held at a condominium in Tokyo. Kamei, who supports the SDP on the Futenma issue, warned Kitazawa on this issue: "Do not make a decision before year end."

This began Kitazawa's shift toward deferring the decision. He began saying: "We will earmark budget allocations related to Futenma in order to show good faith to the U.S." and "I will visit Guam (the relocation site of U.S. Marines in Okinawa) to show the SDP that we are looking for relocations sites out of Okinawa."

With the decision being deferred, Okada is now forced into a corner since up to the end he had advocated reaching a solution before the close of 2009. According to a senior MOD official, Okada was the only one who disagreed with the decision to defer the solution at the meeting among Hatoyama, Hirano, Okada, and Kitazawa at the prime minister's office on Dec. 3. Together with Kitazawa, he had led the push for a solution before year end, and for a while, Hatoyama was moving toward making a decision in 2009, but they pulled the rug from under his feet at the last minute.

Relations between Hatoyama and Okada had been strained for a while. When Okada mentioned in mid-September a solution before year end, Hatoyama reportedly expressed displeasure: "Why are you saying something like that?" It seemed to Hatoyama that Okada's policy would narrow down the options in the negotiations with the U.S.

Meanwhile, Okada referred to media reporting about Hatoyama's order to look for new relocation sites at an informal cabinet meeting on Dec. 4 and retorted that "no such instruction was given." For Okada, who is at the forefront of negotiations with the U.S., such an "order" will imperil the existing relocation plan and the premise of the re-examination process itself will become untenable. He had to explain at the bilateral cabinet-level working group meeting on Dec. 4 that "the Prime Minister issued instructions to engage in serious debate."

Okada's aides lament that they "have told him many times to discuss the coalition issue with the Prime Minister thoroughly, but this has not been done."

Not only is Japan not keeping pace with the U.S. on the Futenma issue, it is expanding the debate further, thus intensifying a confrontational policy toward the U.S. The SDP's Tsujimoto and Abe, who pressed the government to give up on making a decision before year end, are now saying with great enthusiasm: "We will suggest relocation to Guam to the Prime Minister" and have indeed conveyed this message to the Prime Minister's aides. Teruya reckons that "the Prime Minister is now thinking seriously about relocation to Guam." Some administration officials are now talking about the Kansai Airport as a possible relocation site. The Ministry of Foreign Affairs says: "We wish the SDP would take care of the negotiations with the U.S."

When Okada visited Okinawa on Dec. 5, he explained that the U.S. position is that "Futenma relocation cannot be realized unless the

TOKYO 00002788 006 OF 010

current plan is implemented." He told the audience about his difficult position of "being forced to make a decision under this dilemma in the Japan-U.S. relationship," but he was jeered by the crowd at the meeting in Nago City, which has been identified as the relocation site. He was told to find a relocation site outside of Okinawa even if this will take time.

(4) Ambassador Roos points out closeness of Japanese, U.S. corporate culture

NIKKEI (Page 6) (Full)
December 5, 2009

U.S. Ambassador to Japan John Roos delivered a speech at a meeting

of the Japan Institute of International Affairs in Tokyo on Dec. 4. Discussing Japan-U.S. economic relations, Roos pointed out that "Americans think of Honda, Toyota, and Sony almost as American companies, while, on the other hand, McDonald's and Starbucks in Japan are very Japanese." He emphasized that the corporate cultures in the two countries are closely linked.

Looking back on the 100 days since he took up his post in August, the Ambassador also said: "I am fascinated by Japanese culture. I'm fascinated by the temples in Kyoto, the tea ceremony in Tokyo, and the challenging Japanese language lessons."

(5) MOFA begins seriously examining secret nuclear accord; Encounters difficulty in handling security policy; Three nonnuclear principles' conformity with nuclear umbrella to become issue

NIKKEI (Page 2) (Full)
December 7, 2009

The expert panel set up by Foreign Minister Katsuya Okada to shed light on Japan-U.S. secret agreements, including one allowing the U.S. to bring nuclear arms into Japan, held its second meeting at the Ministry of Foreign Affairs (MOFA) on Dec. 6. With this, MOFA has shifted its work of examining the secret accords into full gear. The advisory panel will postpone a study of measures for security policy after the disclosure of the secret deals such as how to ensure the consistency of Japan's three nonnuclear principles' with the U.S. nuclear umbrella. Some members of the government are concerned about this examination creating a new source of turmoil in Japan-U.S. relations.

Since its inauguration on Nov. 27, the committee members have been individually examining diplomatic documents subject to the examination at MOFA. In yesterday's meeting, the panel members apparently reported on the current status of the examination and confirmed how they plan to proceed with it.

The panel is expected to wrap up its examination at the end of January next year. "We will have to work quickly or we won't be able to finish on time," said one panel member. The panel intends to forge ahead in its examination of documents such as declassified U.S. documents, the analysis of which has been done by Osaka University Prof. Kazuya Sakamoto, who is well versed in the revision of the U.S.-Japan Security Treaty, and Hosei University Prof. Yasuko Kono, who is well acquainted with the Japan-U.S. negotiations on the reversion of Okinawa to Japanese administration.

As the examination progresses, MOFA officials have been talking

TOKYO 00002788 007 OF 010

frequently about how to respond to the envisaged security policies of Japan and the U.S. after the disclosure of the secret accords.

For instance, if it is confirmed that there is a secret agreement that stipulates that port calls and transit through territorial waters by U.S. vessels carrying nuclear weapons are not considered to be the introduction of nuclear weapons into Japan, and that they are excluded from being subject to Japan-U.S. prior consultations, the possibility will become stronger that the three nonnuclear principles - the policy of not possessing, not producing, and not allowing the transit of nuclear weapons - has been violated, admitting port calls and passages without prior consultations.

The government will be pressed to make a decision on whether to ease the nonnuclear principles and exclude port calls and transit from being subject to consultations, or to uphold them in principle.

If it is true that there is a secret agreement that the U.S. military can use the U.S. bases in Japan freely without prior consultations in the event of a contingency involving the Korean Peninsula, the government will have to decide on whether to ask the U.S. side for a review.

Many MOFA officials have said that the ministry should discuss the issue with the U.S. side before disclosing a report on the secret deals. This is because "there are some documents that cannot be

disclosed based on the Japanese side's decision alone," said a senior MOFA official.

However, Okada has not made any announcement about the examination of ex post facto measures up until now. When asked by reporters about how the government will deal with the fact that former bureau chief Bunroku Yoshino testified that Tokyo and Washington concluded a secret accord that Japan would shoulder costs for the reversion of Okinawa to Japan, the foreign minister reiterated that he would wait for the conclusion of the expert panel. A senior MOFA official explained, "The foreign minister's judgment is that if the ministry starts looking into ex post facto measures, the force of shedding light on the truth will be weakened."

Yet, if the government does not determine its response, it will not be able to hold talks with the U.S. side. A high-level U.S. government official said, "It is inevitable that there will be a negative impact on the Japan-U.S. alliance if the work of resolving the issue is moved forward alone." Some government officials are starting to make comments, saying that if Japan deals with the secret deal issue improperly, the impact will be felt not only on the Futenma relocation issue but also on other areas of the Japan-U.S. alliance.

(6) Japanese-flag oil suppliers set to fight all-out battle in Iraq's 2nd round of oil deals on Dec 11-12

SANKEI (Page 10) (Excerpts)
December 7, 2009

Sumiko Uehara

Iraq will conduct a second round of tenders on Dec. 11-12 to tap its oilfields. For resource-poor Japan, winning contracts to independently develop oilfields is a long-cherished desire. But in the first bidding held in June, contracts were awarded to Chinese

TOKYO 00002788 008 OF 010

corporations and global oil majors in the United States and Europe. Although Japan has had an eye, from early on, on the second round of deals, including huge oilfields, Japanese oil suppliers have many rivals.

Iraq has the world's third largest oil reserves after Saudi Arabia and Iran. Large quantities of crude oil lie in 10 oilfields in Iraq, including Majnoon, West Qurna, and East Baghdad, for which the auction will be held.

A fierce battle is already underway between the alliance composed of Russia's Lukoil and the U.S.'s ConocoPhillips and the U.S.'s Exxon Mobile over the Qurna oilfield, which has an estimated 15 billion barrels of oil reserves.

Six Japanese companies, including INPEX and JAPEX, also have bidding qualifications. But they are clearly inferior to the Lukoil-ConocoPhillips alliance and Exxon Mobile.

"Japanese companies have little experience in developing and managing oilfields, so they will have to tie up with major European and U.S. oil companies," a senior Economy, Trade, and Industry Ministry official explained.

JAPEX, the only Japanese oil company that took part in the first round of biddings, plans to team up with Malaysia's Petronas, as in the first round, to aim at winning the rights to develop the Gharaf oilfield. Armed with its joint research with the Iraqi oil ministry since 2005, JAPEX is poised to turn the tables. At the same time, there is some skepticism about whether the company can demonstrate its initiative in the alliance.

China National Petroleum Corporation (CNPC) successfully obtained the rights to develop the Rumaila oilfield by teaming up with the UK's BP. In October, major European and U.S. oil companies successfully concluded talks on the As Zubail and West Qurna oilfields.

"Although the possible postponement of the general election, set for next January, is being talked about, the major oil companies made compromises in the amounts of money they will pay," a source familiar with the matter said. Japanese companies cannot compete with them in the ability to provide capital, conduct negotiations, and gather information.

Even so, the Iraqi side pins great hopes on investment from Japan.

Al-Gadban, chairman of the council of advisers to the Iraqi prime minister, visited Japan to attend an Iraq investment seminar, held in Tokyo on Nov. 11. "European and U.S. majors have already opened their offices in Basra and other cities, and the Iraqi side is offering a range of benefits to them," Gadban said in his opening speech at the seminar. "If Japanese companies also branch out to Iraq, we are planning to offer similar benefits."

Japan's official development assistance (ODA) to Iraq has topped 5 billion dollars, or 435 billion yen - the second largest after the United States.

Iraq is aiming to increase its daily crude oil output from the current 2.4 million barrels to 6 million barrels in steps. Japan has provided Iraq with ODA for the restoration of crude oil export bases

TOKYO 00002788 009 OF 010

that are essential for achieving that goal. Japan's level of contribution to the postwar reconstruction of Iraq is high.

Joint efforts by the government and the private sector are bearing fruit in the Nassiriya oilfield. Having reached an agreement on a private tender separate from the first and second biddings, the consortium composed of ENEOS, INPEX, and JCG is holding talks with the Iraqi side to finalize a deal.

Estimated to produce 600,000 barrels of crude oil a day, the Nassiriya oilfield can become the largest ever Japanese-flag oilfield. The plan is for Japan to import half of it and to refine the remaining half at the oil factory to be built to ship it to Iraq.

Although Japan competed fiercely with Italy's ENI, a framework to raise nearly 1 trillion yen for building power plants in addition to the oil factory, in which the Japan Bank for International Cooperation (JBIC) will also participate, won a positive assessment.

Japan independently developed only 11 percent of the crude oil it imported in 2007. The government's assistance is likely to be the key to raising the rate to 40 percent.

(7) Rare metal: Public and private sectors frantic about securing stable supply

TOKYO SHIMBUN (Page 3) (Excerpts)
December 6, 2009

Rare metals, which are indispensable for manufacturing environment and information technology-related products, are drawing attention. This is because a brisk demand for liquid crystal television sets, cell phones and the next-generation automobiles are expected. Major production areas are unevenly distributed -- China and South Africa. Global competition to secure rare metals is becoming increasingly fierce. Japan depends on imports for most of rare metals it consumes. Both the public and private sectors have started moving forward to secure stable supplies of rare metals.

Supply and demand

The Ministry of Economy, Trade and Industry (METI) in early November launched a next-generation automobile strategy study group. Since it is impossible to produce eco-vehicles without using rare metals, how to secure stable supplies of rare metals took center stage at the panel meeting.

Strong magnets blended with rare earths are used for hybrid cars and

electric cars. Lithium batteries are fitted to them. Platinum is used as a catalyst to purify exhaust gas.

Rare metals are also used for crystal display television sets, solar-power generation panels, LED bulbs and vibrators for cell phones. They are now indispensable materials.

The problem is that areas of production are unevenly distributed. China accounts for 97 percent of rare earth production in the world. It also has overwhelming shares in the production of tungsten and indium. South Africa produces 77 percent of the production of platinum in the world. It is the world's greatest producer of

TOKYO 00002788 010 OF 010

vanadium.

Struggle

The depletion of rare metals could lead to a matter of life and death for Japan's industry circles. The rumor that China will ban exports of rare earths went around in related industries this summer, sending a shockwave, according to a senior METI official. When METI asked China whether the rumor was true or not through a diplomatic channel, China replied, "We are not thinking about that at present." The frenzy died down. However, the incident fueled uneasiness about the future supply of the materials.

Research to find alternative materials is being carried out. However, there is a long way to go before the commercialization of alternative materials. The New Energy and Industrial Technology Development Organization (NEDO) and private companies are jointly conducting research into using zinc instead of indium and a chemical compound of carbon and nitrogen instead of platinum. However, they have yet to achieve stable performance.

Fruits

In the meantime, successful examples for securing rare metals abroad have begun appearing. Sumitomo Corporation in August reached a basic agreement with Kazakhstan's state-run company for a project to obtain rare earths from uranium ore sediments. They will start production as early as the end of 2010. Japan Oil, Gas, Metals National Corporation (JOGMEC) will help finance the project.

Another successful example of efforts having borne fruit is an exploration contract JOGMEC signed in Botswana. JOGMEC in July last year set up a remote geological sensing center and gives instruction in technology using a satellite to explore deposits to engineers in that nation and its neighbors. The aim was to facilitate Japanese companies' entry when (Japan) develops mines there, according to a senior METI official.

ROOS